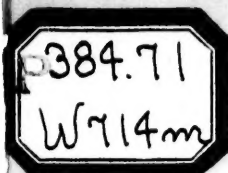


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The Mutual Union Telegraph Company

AND ITS CHARGES AGAINST

ERASTUS WIMAN.

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SYNOPSIS OF CONTRACT

Made between Mutual Union Telegraph Company, and John G. Moore and Thomas C. Purdy, composing firm of John G. Moore & Co., 14th April, 1881.

Contractors to construct lines to connect present line between Boston and Washington, and the cities named hereafter, the exterior points being Minneapolis, San Francisco, Galveston, Mobile, Pensacola, and Eastport, Me.

Line to consist of average of four wires, extra BB galvanized, twenty per cent. to be number 6, remainder number 8; wires to be equal to those used by Western and American Union Co.'s, work to be completed in twenty-eight months; legal proceedings or other delays not to be computed, however.

During progress of work Company has right to make changes which shall not in aggregate increase cost of work to contractors, or if increased, compensation to be allowed contractors subject to arbitration.

Total length of line to be 13,000 miles, right of way to be procured by contractors at their own expense, as well as all other rights and franchises necessary to the business. All such rights to inure to the company and be legally transferred to them.

Contractors have power to organize a corporation to fulfil the contract, but the contractors are liable for everything, and the company is not to be understood as having any contract relations with such corporation so formed, and the rights of such corporation shall be derived through the contractors.

Contractors to establish offices in eligible places in each town or city, to be approved by the company, and to fit them up with instruments of the best kind; also test stations to be established where necessary, with instruments. Contractors to pay all legal expenses whatsoever arising out of this contract.

Contractors to purchase patents necessary for use of line and defend the same; also to assume all contracts of the company existing for purchase of patents, &c., and shall pay for same not more than \$250,000.

Contractors to pay interest on company's bonds for three years from issue, but not more than \$300,000 a year; contractors to advance company money required for expenses for three years after company opens for business, such to be repaid with six per cent. interest from company's first earnings.

Contractors to co-operate with officers of company in assuring its success and promoting its business for three years, without further compensation.

Company to co-operate with contractors and assist in carrying out contract.

Contractors have right to make contracts in name of company, holding it harmless, however. Also the right to use name of company in legal proceedings, holding it harmless, however, in all things.

Company to pay contractors for fulfilling contract, 14 millions in securities of company, viz.: 4 1/2 millions in bonds of company, six per cent. paying interest semi annually, running thirty years, at 3 1/2 millions in stock of company's bonds and stock, to be accepted as cash at par.

Bonds and stock to be placed in hands of trustee, selected by company, until sold by contractors, proceeds to remain in hands of trustee and to be paid to contractors as work progresses, under approval of company.

Contractors give bond in \$500,000, four sureties, for fulfilment of contract.

Controversies as to contract to be settled by two arbitrators, one chosen by each party; umpire to be chosen, if necessary, by arbitrators, and decision of either to be final.

Contract signed by John G. Moore & Co., Mutual Union Telegraph Company by John O. Evans, and attested by C. F. Peck, Sec'y.



The Mutual Union Telegraph Company

AND ITS CHARGES AGAINST

ERASTUS WIMAN.

TO FRIENDS IN CANADA:—

A PAMPHLET has been widely circulated in Canada by the Mutual Union Telegraph Company, containing charges against me regarding which, at the solicitation of some of my friends, I have concluded to make a public statement. These charges, briefly set forth, are that I bribed an employé in the office of the contractors for the Mutual Union Telegraph Company, J. G. Moore & Co., New York, and induced him to procure for me, and for my friends in the Western Union Telegraph Company, a copy of the contract for the construction of the Mutual Union Telegraph lines; that I originated this method of procuring the paper, and that, by subsequent denials and misrepresentations—it is directly stated—I am “steeped in guilt and covered with confusion.”

The bitterness of this attack has, far more than anything else, confirmed my suspicions that the affairs of that Company could not stand an exposé, and few of those who read this statement will, in my judgment, differ from me on that point. It is not, however, with a view of holding up that Company, or any person connected with it, to condemnation, that I publish this reply. Canada, my native place, has been flooded with the pamphlets which contain these charges against me, and which purport to give in minute detail a statement of my conduct and motives extending over a considerable period of time. As the authors and publishers of these charges have gone into these questions, it will probably be conceded that I have in self-defence the right to give to the public my version of them, and to leave it to them to decide who is “steeped in guilt” or who ought to be “covered with confusion.” This I shall do by giving in historical order the causes which operated upon my mind, and influenced the action upon which my assailants have animadverted.

Having become somewhat largely interested in existing telegraph property in Canada, by assuming the Presidency of a Canadian Company that had undertaken heavy obligations to investors therein, it became officially incumbent upon me to watch with jealous care all movements that would imperil the value of that property, or lessen the ability of the companies with which I am connected to discharge the obligations they

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have assumed. For many years I had watched the operations of opposition telegraph enterprises with close attention, and it was most natural that I should seek to understand thoroughly the Mutual Union Company's enterprise, which was being extended to Canada—where so many of my friends reside—under the guise of the Canada Mutual Telegraph Company. In pursuance of this object, I early became a shareholder in the Mutual Union Company, the certificate of stock bearing date June, 1881. Thenceforward I assumed that I had a right to know what was going on in the Company, and acted accordingly. If the scheme were sound, knowledge of its details by me would not compromise it. Every man, I take it, is entitled to inquire whether the person to whom the custody of his property is confided, is trustworthy or otherwise.

WHY SUSPICIONS WERE ENTERTAINED.

Inquiry into the antecedents and previous operations of most of the parties connected with the Mutual Union Telegraph Company, soon produced the conclusion in my mind, that a close investigation would yield revelations of a character sufficiently startling to deter my friends, and possibly investors, from embarking their capital in the enterprise. It was evident also that if I could confirm that conclusion by documentary evidence, I would unearth a transaction that would justify some considerable trouble in bringing it to light, and effectually put a barrier to a scheme apparently almost unparalleled in the history of even opposition telegraphic enterprises.

By the investigation of several other telegraphic undertakings, I had become convinced that a promising mode of deluding the public was in the contracts for the construction of the lines, and from all the circumstances surrounding this case, the conclusion to me was obvious that if the contract of the Mutual Union Company could be disclosed, it would probably confirm the suspicions which had been previously entertained. The jealous manner in which this contract had been guarded, was one reason for supposing its provisions to be of a very extraordinary character; for, notwithstanding the fact that numerous inquiries had been made by shareholders and bondholders, and others interested, no one outside of the officers and the contractors had ever yet been able to discover the provisions of this important document. Two directors out of the five had been asked as to this contract, but they had never seen it, and knew nothing of its provisions, as neither had, apparently, ever been put in possession of the real facts of the case. The intimate social, personal, and business connection which existed between the President and Secretary of the Company, and the Contractors, J. G. Moore & Co., made it appear, to my mind, very doubtful that connections of a personal and business nature so intimate as prevailed among these gentlemen, should stop at the doors of the Mutual Union Telegraph Company. The nature of these connections will hereafter be described, but if the profits were to be shared in by the contractors and the officers, or some of them, the conclusion was obvious that these profits would be made as large as possible. The frequency with which contracts for construction are referred to in English and other papers, as a part of the

advertisement soliciting subscriptions toward new enterprises, was in startling contrast to the plan pursued in this case; it was, therefore, not an unreasonable suspicion, which, from a knowledge of these and other facts subsequently detailed, I conceived, that there must be something behind all this secrecy and mystery, in connection with The Mutual Union Telegraph Company, which would be proper to investigate and expose. As to my right as a stockholder to know what disposition was being made of the moneys of the Company, I had no doubt, nor will the reader have any doubt after perusing the accompanying extracts from legal decisions on the point:

RIGHTS OF A SHAREHOLDER.

"And shall he, who is a trustee and guardian of the evidence of the shareholders' rights, lock it up from them, and in a matter, too, where his own interest is in question?"—LORD ELLENBOROUGH. *King vs. Tower*, 4 M. & S., 163.

In the New York case of *People vs. Mott*, BEARDSLEY, Justice, decided that "a director or a corporator had a right, at all reasonable times, to examine the books, records and papers of the company." 1 How., Pr. 248.

"Every member of the corporation has, as such, a right to look into the books for any matter that concerned himself, though it was in a dispute with others." *King vs. Fraternity, &c.*, 2 Str., 1223.

COLE, Justice: "It cannot be denied that it is the right of every one to see that his property is well managed, and to have access to the proper sources of knowledge in this respect. * * * It must be granted that every partner has the right to inspect the books of the partnership, and the mere fact of incorporation cannot destroy that right, unless it is taken away by some provision of the charter, or some law or by-law of the corporation." *Cockburn vs. Union Bank*, 13 La. An., 290.

LORD KENYON: "Where the dispute is between different shareholders, then an inspection of the papers belonging to the corporation may be granted, because each party has a right to see them." *Mayor, &c., vs. Graves*, 8 Term R., 592.

Bearing in mind the law's delays, and how easily a contest over a bill of discovery could be prolonged till the contract was completed; or if granted, how such a bill could be defeated by the substitution of a bogus contract for the genuine one; being a stockholder in the Mutual Union Company, in view of all the facts and circumstances of the case, and the legal rights to which I knew I was entitled, and knowing that the demand had been frequently made for an exhibition of the contract, both publicly and privately, without avail, there seemed to be no resource left but to seek information from outside sources. Conscious that behind all the information I had received something lurked that needed exposure, and that this something would place an effectual barrier to the promotion of an enterprise inimical to those with which I had become associated in Canada, I venture to ask, under the circumstances, whether I was not justified in accepting the unexpected offer which was made by an outsider to procure, in some way not stated, for a paltry sum, the copy of a document likely to be so extremely useful, and to which, as a stockholder in the company, I was fully entitled. For it seemed to me that I had as good a right to know the

contents of that contract as Mr. Evans, the President, or Mr. Peck, the Secretary.

THE NATURE OF THE CONTRACT.

The genuineness of the contract which was volunteered to me has never been denied, and its authenticity seems fully confirmed by the circumstances and information which have since been developed. Were it not a correct representation of the bargain between the officers and the contractors, the serious effects of these disclosures would long ago have been obviated by an emphatic denial, and by the publication of what would purport to be a genuine contract, but its authenticity seems now virtually an admitted fact. Its provisions appear on the second page of this pamphlet. Briefly, it provides for the payment of 14 millions of dollars for the construction of 13,000 miles of telegraph of an average of four wires. It is alleged by telegraphic experts that this extent of telegraph could be erected, equipped, and put into first class condition for four millions of dollars. Thus the apparent profit on the transaction, over and above the cost of construction, was ten millions of dollars. It is true that out of the 14 millions, 5 millions is in mortgage bonds existing on the property *hereafter to be constructed* with the proceeds of these bonds. Stock to an equal amount is given to the bondholders, say 5 millions, without charge, in order to "butter the bonds;" but such a contract is a deception practised upon the public, and upon the bondholders also, because the extra five millions which go to J. G. Moore & Co., without consideration, just to that extent deplete the value of the stock received with the bonds. There are numerous other loopholes in the contract which it is unnecessary here to point out. *The one great fact that this document brings to light is, that the officers of the Company made a contract with their own associates, or partners, and friends, involving an enormous sum of money, and that this contract was given to parties who had no previous experience in the construction of telegraph lines, who were men of very moderate means, possessing no facilities whatever for the undertaking, and having no knowledge of its requirements. Further, that the profits of the transaction were of such magnitude as could only be accounted for by the almost necessary conclusion that the parties getting the contract, and the parties giving it, were in some way jointly interested in its enormous gains.*

There are only four parties to this contract. It is signed, on behalf of the company, by John O. Evans, President, and Chas. F. Peck, Secretary. On behalf of the contractors it is signed by John G. Moore & Co., which firm is made up of John G. Moore & Thos. C. Purdy. Note how closely allied these four are in other matters, as subsequent information is developed.

MR. JOHN O. EVANS, PRESIDENT.

As it was information on the antecedents and surroundings of the men concerned in the Mutual Union Telegraph enterprise that aroused my suspicions, it is necessary, in order to justify my action to the public, to give them the information by which I was influenced. The first and foremost of these men is Mr. John O. Evans, of Washington, D. C., the President and

one of the originators of the enterprise. In Washington he has acquired large wealth, and occupies a position of very considerable importance, owning fine real estate, and having a building named after him, which building appears to be the *rendezvous* of the faithful. Mr. Evans is best known in Washington history in connection with the contracts for the improvement of the City of Washington, which were given out during the *regime* of Governor Shepherd. The frauds of the Department of Public Works in the District of Columbia formed the subject of an investigation, in 1874, which became national in its character, because it was undertaken by a body no less august than the Congress of the United States, several of whose most prominent members were on the committee of investigation, and devoted many months to the matter. The report of this investigation was published by the Senate, and occupies three large volumes, comprising 3,100 pages of closely printed matter. The extent, character, and peculiarity of these frauds, it would take columns to describe, but an idea of them is briefly set forth in the following paragraphs from the memorialists of the petitioners, the report of the committee, and from speeches of the counsel concerned:

"A system of improvements covering more than a hundred miles of streets, extending almost to every street and avenue in the cities of Washington and Georgetown, as well as to roads in the county, were undertaken at a single stroke, without preliminary organization of engineering work, and could not well be otherwise than pernicious. * * * The Board of Works have, by gross and culpable negligence, allowed the citizens to be cheated and defrauded out of large sums of money by false, fraudulent and excessive measurements and estimates of work. * * * The officers defiantly disregarded public sentiment, the laws of the United States, the usages of prudent business men, in making contracts, without public notice, with their *familiars*, greatly to the loss and injury of the citizens. * * * The improvements, as originally designed, involved an expenditure of six millions of dollars, were so changed and enlarged as to involve an expenditure of eighteen millions of dollars. * * * We are not dealing with bungling rogues or stupid criminals, who have fallen before the temptations of want, but with prudent, planning and thoughtful men. All the elements of the offence charged are in evidence, the plot, the motive and the prize secured.

'Who finds the heifer dead and bleeding fresh,
And sees fast by a butcher with an axe,
But will suspect 'twas he that made the slaughter?
Who finds the partridge in the puttock's nest
But may imagine how the bird was dead,
Although the kite soar with unblooded beak?'

(Senate Repts., Affairs Dist. Col., '73-74, V. 1, p. 45.)

These extracts and quotations are not my language, but are taken from a dry public document, in the shape of the official report of the committee of Congress, and the papers accompanying it which that body ordered to be printed. In these documents, so printed, the name of Mr. John O. Evans appears no less than six hundred and ninety-five times. Aside from this individual connection, he appears to have been a partner or interested in no less than nine different firms, companies, or parties having contracts. Is it any wonder that people familiar with this notable and disgraceful page in the history of the country, should feel suspicious when parties so mixed up therewith became promoters of an extensive telegraphic enterprise, the particulars of which were most studiously concealed?

In the course of this Congressional investigation it was developed that the Freedman's Savings Bank had advanced considerable sums in Washington, which it had never been able to recover, and among the papers occurs this entry of a loan—"Hallett Kilbourn and John O. Evans, Jan. 2, 1872, on \$75,000 second mortgage bonds Maryland Mining & Manufacturing Company—\$50,000." This amount so advanced was totally lost. In relation to the funds of this institution, the counsel said:

"This money should have been considered sacred. It represented the small earnings of the slave so recently set free, earned in the rice field and upon the cotton and sugar plantations, under the fierce rays of the semi-tropical sun * * * and while the poor freedman toils and sweats to support his family and himself, these Christian gentlemen are leading lives of luxurious ease. I hope this committee will pronounce such a judgment upon all connected with this wickedness as will make them

'A fixed figure for the time of scorn
To point his slow, unmoving finger at.'"

(Senate Repts., Affairs Dist. Col. '73-74, V. 1, p. 53.)

MESSRS. JOHN G. MOORE & CO., CONTRACTORS.

Throughout the volumes alluded to, the name of Mr. John G. Moore, the chief of the contractors for the Mutual Union Telegraph Company, occasionally appears. Moore appears to have been the lumber merchant who supplied the lumber for the celebrated pavements which were laid down so very liberally in the capital city. In all this Mr. Moore and Mr. Evans seem to have been both interested; so that, as far back as eight or ten years ago, it will be seen that the connection between the two gentlemen was of the most intimate character, some even alleging that Mr. Moore is little else than an employé of Evans. In addition to their connection in Washington, Evans and Moore were, it is said, jointly interested in contracts with the Government, and beyond these, again, in other outside enterprises. For instance, Mr. Evans, through his influence with the Treasury Department at Washington, secured for a New York publishing company—in which a large number of prominent Canadians were interested—the contract for the printing of the internal revenue stamps, which probably saved the fortunes of that concern, inasmuch as, in the year previous to securing that contract, it had sunk \$40,000. Just as soon as the change in its condition brought about by Mr. Evans was apparent, Mr. J. G. Moore became the treasurer of the company, and continued so for two or three years, and is still a large shareholder therein. It looked, in this instance (as, indeed, of that of the Mutual Union), as if Mr. Evans sowed the seed, and Mr. Moore reaped the harvest for their joint benefit.

It will repay a slight divergence to draw attention to the fact that Mr. Richard White, of the *Montreal Gazette*, is a director in the New York publishing company so much benefited by the influence of Mr. Evans; and the connection thus established—so highly creditable to all concerned—may account for the ardent advocacy in that journal of the Mutual Union enterprise, and the savage attacks it has made upon me personally, as representing other telegraphic interests. The lofty moral tone and the intensely patriotic position assumed, become this journal very well, under the cir-

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circumstances! The interest of the *Gazette* proprietors with the Mutual Union promoters had an illustration in the circumstance that Mr. Robert White, an *attache* of the paper, and a son of Mr. Thomas White, M. P., journeyed last winter all the way to Winnipeg, Manitoba, to get possession of the Great North-Western Company's charter. He was accompanied by "General" George B. Williams, of Lafayette, Indiana, hereafter referred to. These gentlemen actually offered a bonus of 10,000 dollars, over and above the par value of the stock, in order to control the stock of the Company, but without success. Failing to get this control, the next best thing was to abuse those who had got it, and condemn in the most unmeasured terms the practice of trafficking in charters.

But to return to the information as to the relationship existing between Mr. J. O. Evans and Messrs. J. G. Moore & Co. It may be stated that the "Co." in this firm is Mr. Thos. C. Purdy. He, it is ascertained, occupies the position of President of the National Dredging Company, under which style it performs numerous contracts for the United States Government in various parts of the country. In this company Mr. Evans owned a large amount of stock, and was the original corporator, and its office is located in the Evans Building. The relation between these four gentlemen, parties to the Mutual Union contract, is therefore seen to be of a most intimate character, and it is impossible for me to conceive that Moore and Purdy could have a contract involving a profit of several millions given to them by Mr. Evans, unless Evans himself has an interest therein. Mr. Peck, the Secretary of the Mutual Union Co., is a Washington lawyer, also having an office in the Evans Building, and may be regarded as Mr. Evans' hired man.

Connected with these gentlemen in Washington, and representing the Mutual Union Co. in that city, are other parties, such, for instance, as Col. J. Ledyard Hodges, with an office in the Evans Building. He was a paymaster in the army, and was "short" in his accounts the trifling sum of 500,000 dollars. A year's term in State prison gave him leisure to reflect upon the mutability of human affairs, but he was released from this duration on a pardon procured, it is said, by the influence of Evans, whose cashier and confidential adviser the *ci-derant* paymaster immediately became.

TWO "CANADIAN" CORPORATORS.

In two further figures Canadians have a special interest, as both are Promoters, Corporators, and Directors in the Canada enterprise of the Mutual Company under the name of the "Canada Mutual Telegraph Company," recently incorporated at Ottawa, with a very restricted charter, on payment of \$50,000, required by law, and which sum, it is understood, was sent from New York by the parent company. The names of these parties are "General" George B. Williams, of Lafayette, Ind., and Mr. J. Franklin Olmstead, of Washington, D. C. "General" George B. Williams is also a Washington man, having been employed in the internal revenue department in 1872 and 1873, at a salary of \$3,000 a year. He was selected to go to Japan to assist that benighted government to organize a department of finance. Among the first steps he took was to advise the government to

"get a loan." This he proceeded to aid them in doing, by going to London himself. After residing in England two years, it is reported he succeeded in floating a loan of some \$10,000,000, bearing nine per cent. interest, and placing the same at ninety per cent. He is credited with having received \$250,000 for his brilliant financial achievements. It is a somewhat significant fact that "General" George B. Williams, of Indiana, never returned to Japan, and the Japanese government, probably feeling that the "General" had a mission and destiny in Indiana, or in Canada, did not, it is reported, press for his return. With the fortune thus credited to him, the "General" is now apparently intent upon conferring upon Canada the blessings of a telegraph system, which "is entirely Canadian in its origin, connections, and capital."

Mr. J. Franklin Olmstead was, until recently, a partner in the real estate firm of Kilbourn & Olmstead, of Washington, with an office in the famous Evans Building. Hallett Kilbourn, of Washington, of this firm, was a bosom friend of Mr. John O. Evans, and was one of the Washington "Ring" made notorious by a letter from Kilbourn himself, which had a national circulation, because of the admissions it contained that Evans, himself, and five others, had "captured" all the contracts in the City of Washington some time before the date advertised for the opening of the tenders. Olmstead has, therefore, been in a good school. It is not necessary to say anything more at present about the firm of Olmstead & Kilbourn, unless it be to refer to the public records in the complaint of a suit against them by an unfortunate man named Sunderland, in which it is charged that this real estate firm were instructed to buy a certain piece of real estate at the lowest possible price and on the easiest terms; that they reported the purchase at \$64,000, and that a payment in cash was required of \$20,000, which was paid; but, that after investigation, it was ascertained that the property was really bought for \$40,000, and a cash payment of only \$8,000 required. The suit is now in progress to recover the difference.

Here is information regarding a number of parties, more or less connected with the inception and promotion of the Mutual Union Telegraph Company, and who are directly and almost solely promoters of the Canada Mutual, with money furnished by the parent concern. If, with all this in your possession, and interested to the extent that I was in telegraphs, you would not also have become suspicious of the good faith of the enterprise promoted in the manner described, and involving the contract which has been unearthed, you would be guileless indeed.

THE BANKER.

I am obliged, in order to be consistent as well as just to myself, to state the information I received about perhaps the most essential figure in the group of the Mutual Union Telegraph promoters. The individual referred to is a well known banker, broker, and promoter, in Boston and New York—Mr. George William Ballou. Mr. Ballou's early and interesting history in the town of Greenfield, Mass., and his subsequent career in the great centres

of commerce, is accessible, and point to him as a fair type of the ability and speculative enterprise so characteristic of some American financiers. He has risen with his opportunities, but two enterprises which, according to my information, he has succeeded in floating, seem to illustrate his style. The first of these is called the San Pedro & Canon Del Agua Mining Company of New Mexico, near Santa Fe. This mine, and the land connected with it, was a Mexican government grant, and cost the promoters of the company which now owns it, not to exceed three hundred thousand dollars. It was capitalized at the magnificent sum of *ten millions of dollars*, and *one million of bonds*, every holder of a thousand dollar bond receiving 10,000 dollars in stock. In order to float this promising venture, it became necessary to resort to some peculiar tactics, and the name of the greatest General of the age, with his vast influence and power, were deemed essential. Before he was aware of the true nature of the scheme, it is said he consented to accept the position of president, and before the connection could be repudiated, the undertaking had been floated to the extent of inducing the public to invest to the full amount of the million dollars' worth of bonds. The proceeds, one million of dollars, were divided in halves, 500,000 dollars going to the promoters for what cost them much less, and \$500,000 to be spent in bringing water to the property by a species of construction company, made up of the intimate friends of the promoters, and yielding large profits. Not a scintilla of return has been received from any other source. The United States government have taken proceedings to forfeit the title of the company to the mining lands, on the ground of a fraudulent survey, and the hopelessness of the prospect of any profit from the mine is hardly surpassed by anything else in the annals of these speculative times. The stockholders and bondholders now have to represent their investment, some 60,000 acres of rough and waste land of imperfect title, with the water ditch and a few openings in the ground, made in search of paying minerals.

Another of Mr. Ballou's enterprises, not yet completed, may be described. It is called the Toledo, Delphos, and Burlington Railway, a three foot narrow gauge road, in Ohio, nearly 900 miles long, which has bonds to the extent of \$18,500,000, and stock to the extent of \$11,000,000, or a total of \$29,500,000, or \$38,000 per mile for a narrow gauge road which ought not to have cost more than one-quarter of that sum. Six per cent. interest on these issues would be \$1,740,000 a year, while the gross receipts of the road are now less than \$900,000. A railroad with a "Ballou" like expansion of \$29,000,000, and having, according to "Poor's Annual," only 21 locomotives, 24 passenger cars, and 600 miscellaneous cars and trucks, all of the narrow gauge pattern, and useless anywhere else, cannot be considered a very hopeful undertaking.

THE INSIDE HISTORY OF THE MUTUAL UNION.

But neither of the two foregoing "pet chickens" of this flourishing family exceeds in promise the Mutual Union Telegraph Company, in which so deep an interest is felt, and a slight history of which will fill in the picture now being presented to you. It appears that the Mutual Union Com-

pany originally only contemplated the furnishing of private lines between large cities, for the use of bankers and operators who could afford to pay large annual sums therefor. The Western Union Company never appear to have encouraged this kind of business, probably feeling that it was a breach of public faith to use the franchises dedicated to public use for private ends, and burdening the streets with poles and wires not for the use of the community generally. No such scruples, however, stood in the way of the Mutual Union Company, whose lines were erected in 1880 from Washington to New York, and from New York to Boston, a distance of about 500 miles, consisting of six wires, and which cost, according to the best information, only about \$265,000. So limited were the ideas of the promoters that the company was incorporated in October, 1880, under the New York law, with a capital of only \$500,000. It was not until the spring of 1881, when the amalgamation of the various existing telegraph lines took place, that the plan, in all its magnitude of millions, dawned upon the expansive vision of Mr. Ballou. He (Ballou), Evans, and three others owned this original \$265,000 line, and he purchased it from themselves, under an agreement involving the most prodigal payment. It is understood he was to pay back the entire cash they had spent, with 6 per cent. interest, and *also one million dollars in addition, one-half in bonds and one-half in stock of a new company to be expanded from the modest dimensions of six hundred thousand dollars to the magnitude of fifteen millions*, consisting of ten millions of stock and five millions of bonds. Advertising the bonds liberally, and "buttering" them with an equal amount of gratuitous stock, in a short time Ballou got subscriptions to the extent of four and a half millions, to be paid at the rate of 10 per cent. a month, the last payment maturing February 15th next. Not a single dollar of cash was paid for the purchase of the old line for two months, but actually out of the proceeds of the first and second instalments of these bonds, it is said, he paid the \$265,000 to himself and confederates, being purchase money for the original line! What piece of financial jugglery, perpetrated at the expense of a confiding public, excels this?

Meantime the new and expanded Mutual Union Company made the contract with J. G. Moore & Co. (as set forth on page 2), to construct the entire lines of the Company. This contract is peculiar, because of the necessity to circumvent the law forbidding the issue of stock without consideration; the Company agreeing to hand over, on the completion of the lines (constructed solely by bondholders' money), the whole 14 millions of its issues to Moore & Co., evidently considering that these lines might then be valued at a sufficient sum to justify the issue of 10 millions of stock. It will be seen that the stock yields no money whatever. *The only money in the whole transaction is that derived from the proceeds of the bonds, subscribed by an innocent public.* With this money, and this money alone, the construction of the Mutual Union lines has gone forward. Bear in mind that John G. Moore & Co. are to get every dollar, and then imagine if it is possible that Ballou, a director, Evans, the President, and Peck, the Secretary, are *not* interested in the contract. What motive would

these gentlemen have to perform such a herculean task as the promotion of a 15 million dollar telegraph line extending over such a wide area of country unless they participated in the profit? How is it possible for them to share therein, unless they participate in the profits of the contract, inasmuch as the *whole* proceeds go to J. G. Moore & Co.? A single fact stands out in bold relief. There is an issue of 15 millions of dollars; and lines, costing 5 millions, are erected to represent it. The remaining ten millions are only deceptive issues in such a case, inasmuch as the property possesses no earning power to correspond to this issue of ten millions, nor the prospect of such. This is the experience of all previous opposition telegraphic enterprises; for never in their history have any of them paid expenses, not to speak of profits.

Thus three great enterprises have marked the career of Mr. George William Ballou. "San Pedro of the Waters," a gold mine with not a drop of water within miles of it. "Delphos," about which there is nothing narrow or conservative except the gauge and the dividends, and the "Mutual" Union Telegraph Company, which seems *mutual* in every sense of the word. "Delphos," "Mutual" and "San Pedro" have been grouped together by a Boston broker, and named respectively as follows—"Faith, Hope, and Charity"—these three, but the greatest of these is San Pedro! Involving, as they do, issues of stock and bonds to the extent of 55 millions of dollars, one would think that Mr. Ballou would need, more than most men, a seat at the Boston Stock Exchange; but somehow that most ardently sought for position has never been reached. In the language of the couplet regarding Dr. Fell—"the reason is, I cannot tell."

THE MUTUAL UNION IN CANADA.

The operations of these promoters in Canada were so peculiar as to confirm the suspicions formed of them in the United States, that they evidently had no intention of engaging permanently in the telegraph business, their motive seeming to be either to make money out of a construction contract, or else by so demoralizing the business as to compel existing lines to buy them out. In the matter of salaries, for instance, there seemed to be a most reckless disregard of investors' money. Thus, in Canada (through the instrumentality of one of the proprietors of the *Montreal Gazette*), \$10,000 in cash was paid as a bonus, and an agreement of \$5,000 per annum for five years was made, in order to secure for the Canadian Mutual the services of a very worthy gentleman, who had previously been passing rich at \$2,500 per year, paid with difficulty by one of the existing companies. This rate of payment, aggregating \$35,000 for five years, implied an advance of \$5,000 per annum in the young gentleman's income, and made his remuneration equal to that of a Cabinet Minister! In view of the unpromising condition which telegraph property had reached in Canada, owing to competition, these arrangements seem to be of a rather lavish kind for a new competitor to undertake. It is easy, however, to be liberal with other people's money, especially if it is derived from the proceeds of bonds for the erection of lines in the United States, the innocent holders of which are unaware of

the strange diversion of their funds for the benefit of a Canadian corporation, having a separate existence, and in which they have no interest whatever.

The intention to sell out the lines, subject to above engagements, when it paid them to do so, has been very well shown by an attempt to get a clause inserted in their Canadian charter of a kind most unusual for a company incorporated under the general law, and procurable only by special parliamentary enactment. The power sought in this clause was simply to enable them to dispose of their lines and franchises when they thought fit. This was at length most reluctantly granted by the Government, and then only when restricted with the condition that it could be made available only with the consent of the Governor in Council. That this condition would have been a fatal barrier to the recent consolidation of existing companies in Canada no one can doubt, and, in order to get around it, and obtain permission to traffic in their charter, the Canadian Mutual Union Telegraph Company already give notice of application to Parliament for a special act.

CONCLUSION.

How far my Canadian friends can afford to embark in such enterprises, promoted by such persons, with capital obtained by such peculiar methods, they must themselves determine. But that legitimate telegraphic undertakings, permitting honest service to the public and the maintenance and extension of facilities were likely to be injured by the competition thus threatened, there is no reason to doubt, had no exposure taken place. The telegraph property in Canada of which I was the custodian, represented an actual expenditure of three millions of dollars. This large amount was divided among nearly one thousand shareholders, implying an average holding of only about \$3,000 each, and by a greater number of widows, children, trust estates, and families dependent thereupon than appeared on almost any other stock list in Canada. This property, as a dividend-paying power, had just been rescued from great peril, brought about by competition, even on fair business principles. That it was immediately again to be threatened by what promised most illegitimate warfare by men of the stamp above described, was surely sufficient motive for watchfulness and prompt action, when suspicious as to their intentions so early aroused were found to be so well founded. It, therefore, was in view of the information above stated that I interested myself to probe to the bottom this new enterprise, and I now only make public these facts to show the influences that determined my course as a justification of myself, rendered necessary by the evident malice of the widely circulated attack upon me.

In order to corroborate some of the circumstances attending the procuring of the contract, I append some brief statements of other parties.

I have only to say, in conclusion, that in a career extending over forty years, from the humblest beginnings, it is the first time my integrity of conduct has been called in question, although I have been more or less before the public, engaged in most active pursuits, and in branches of business requiring the greatest probity. I state in explanation the circumstances with which I was surrounded, the character of the men with whom I had to contend, my rights as a shareholder, the magnitude of the interests committed to my care, and the enormity of the transaction contemplated.

I am respectfully yours,

ERASTUS WIMAN.

TORONTO, December 10, 1881.

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APPENDIX.

IN pursuit of information regarding the promoters of the Mutual Union Telegraph Company, I became acquainted with Mr. Benjamin M. Plumb, who was president of a manufacturing company at 19 Nassau Street, New York, and who was in no way connected with any telegraph company, but who had formerly been so employed. The charges against me are entirely based upon an affidavit which Mr. Plumb has made. How far that affidavit is to be relied upon, is best judged by extracts made from the first paragraph thereof. He expressly states that at the first interview a third person was present, viz.: George E. Baker. Mr. Baker distinctly recalls the circumstances of that interview, and he makes the following statement in relation thereto, to which he is quite willing to swear if necessary. Mr. Baker was chief operator in the American Union Telegraph Company, and for some time superintendent of circuits for the Mutual Union Telegraph Company. I submit that his evidence is as much to be relied upon, being impartial, as that of Mr. Plumb, who was confessedly a conspirator to lead me into temptation, and then make capital by a disclosure. He states:

"I was present, as stated in the affidavit of Benjamin M. Plumb, at the interview between that gentleman and Mr. Wiman on the 5th of October, 1881, in which is set forth at considerable length, the conversation alleged to have taken place on that occasion. I deem it but fair to state that the conversation, as reported in the affidavit, is distorted, and impressions conveyed entirely different from what actually took place. In said affidavit Plumb states:

"I stated to Mr. Wiman that I knew the general officers of said Company, and also a clerk in the employ of John G. Moore & Company, contractors for the construction of the lines of the Mutual Union Telegraph Company, who might help him get information if he would consent to do so. He asked if this clerk could probably get the papers of the firm, and stated that he would pay said clerk well if he would possess himself of the original of said contract, and make and deliver a copy thereof, and that he would besides, in case the clerk was found out and discharged in consequence of his acts, furnish him employment at a compensation equal to that he was then receiving from said John G. Moore & Company, and would also pay me 500 if the copy was obtained."

"I distinctly recall the conversation of that interview, and I positively assert that the statements as above quoted are incorrect. No such propositions were made on the occasion referred to. No such details were discussed, and the whole extract as above quoted is erroneous, unjust, and misleading. The principal object of the interview was to obtain from the said Plumb information as to

the antecedents, business reputation, &c., of the promoters of the Mutual Union Telegraph Company, and of the relations which existed between them and the contractors, Messrs. J. G. Moore & Co., which, from Mr. Plumb's long residence in Washington, he was thought competent to give, it being repeatedly stated by Mr. Wiman that such information was desired by him for the protection of telegraph interests in Canada, of which he was the custodian, and which were likely to be threatened by the Mutual Union Telegraph Company under the style of the Canada Mutual Company.

"GEO. E. BAKER."
"NEW YORK, November, 1881."

To confirm the statement that no such conversation took place at my first interview with Plumb, as set forth in his affidavit, when he says I made direct overtures for the corruption of an employé in the office of J. G. Moore & Co., I append herewith a letter from him, which bears date *subsequent* to the date of that interview, which plainly shows that, instead of the proposition first emanating from me, that information should be got in an improper manner, *the proposal came from him*, and this letter indicates more clearly than anything else how deep and well considered was the conspiracy laid to entrap me.

THE FABRIC ORNAMENTING AND
MANUFACTURING CO.,
19 and 21 Nassau Street.

NEW YORK, Oct. 6, 1881.

ERASTUS WIMAN—DEAR SIR: Do not fail to see me to-morrow. I have struck oil, and sprouted a plant that will bear fruit, and immediately. Shall be with a party to-night, and must see you to-morrow. We can capture *the whole lot*. Yours truly,

B. M. PLUMB.

At the second interview with Plumb following this letter, he told me he could procure a copy of the contract existing between the Mutual Union Company and the contractors, J. G. Moore & Co. He did not explain how it was to be obtained, and he said he could not give it to me, but would have it read, and that it would cost \$150 to get the information. Subsequently it was understood that it should be read to a phonographer, who could then give me the benefit of his interpretation of it.

This is the length and breadth of my offending, that on the offer of Plumb to procure me a copy of this contract I agreed to pay him \$150, without knowing whence he derived the information, and without intending to make any use of it, by its confirming the impression that had been previously conveyed to me that the contract would reveal a condi-

tion of things which would fully justify the means resorted to to obtain it. A week later, on the 13th of October, in accordance with the information received from Plumb, I sent my stenographer, Mr. H. M. Morrow, to his office with a card of introduction. He will tell his own story.

"ERASTUS WIMAN, ESQ.—DEAR SIR—At your request, on the 13th of October, about three o'clock, I went to the office of Mr. B. M. Plumb, at 19 Nassau Street, to procure a copy of a certain contract which was described to me. Plumb met me with the statement that he had not got the contract there, but that it was then being copied by a stenographer at work on *Pearl Street*, the nearest part of which long street is several squares from the office of J. G. Moore & Co., located on the corner of Cedar and Nassau Streets. He said that the copy would be sent to you in the course of the evening, and that my services to take a stenographic copy thereof would not be required. From something that transpired I was made aware of the fact that the stenographer who was taking the copy of the document on Pearl Street would soon be out of employment. A day or two previous I had had a request to furnish a shorthand writer for a large insurance firm in this city, and it struck me that we might serve our friends by procuring them an assistant, and at the same time do the party unemployed a good turn. On my return to the office I made this suggestion to you, and brought you a message from Mr. Plumb, requesting a call during the afternoon, when, as I understood it, the copy of the contract then being made by the party on Pearl Street would be given to you. Throughout the whole circumstances of the interview, and the events transpiring in regard to the matter, with which I was necessarily very familiar, I am positive that no intimation was ever made that the party procuring the copy of the contract was in any way employed or connected with either the Mutual Union Company or J. G. Moore & Co. On the contrary, a different impression was conveyed, and, in the light of all the circumstances that have occurred, I am clearly of opinion that it was a conspiracy from the start engineered by Plumb and his friends, into which you were inveigled, the facts being carefully obscured as to any tampering with the employees of either the Mutual Union Company or the contractors.

"Truly yours,

"H. M. MORROW."

When I called upon Mr. Plumb subsequently to the interview above detailed, he represented to me the fact that the stenographer who was making a copy of the contract, and who was employed on Pearl Street, a mile or so away from J. G. Moore & Co.'s office, was likely to be soon unemployed, and knowing of the application which had been made for a shorthand writer by our insurance friends—desirous of serving them and at

the same time placing Plumb under some obligation to me, I wrote the letter to Fearling, which Plumb prints in his affidavit, without any knowledge whatever that I was thus placing in the hands of a conspirator a weapon that could be used against me. On this occasion Plumb told me that the contract could not be got until late in the evening, and upon my informing him that I had to leave for Montreal at 6.30, from the 42d Street Depot, he volunteered to meet me there with a copy of the contract. Instead of this he sent a letter by a lad which reached me about two minutes before the departure of the train. The letter was written in pencil on a slip of crumpled paper, and was so illegible as to be most difficult to decipher in the obscure light of a railway station. I glanced at it hurriedly, paid no particular attention to any of its contents except the request for 100 dollars more.

Without thought I pencilled a reply leaving it discretionary with Plumb to pay the same or not, and directed him what disposition to make of the copy should he decide to pay the money. On reading his note after taking my seat in the cars the thought flashed across my mind that I was being put into a position I had never contemplated. Accordingly, just as soon as I reached a telegraph office, which was at seven A. M., the next morning, at St. Johns, Que., I telegraphed back to Plumb to do nothing till I saw him the following Monday, and to retain the documents. This telegram he duly received at nine o'clock on Saturday morning, but, disregarding it, he carried out the project which he and his co-conspirators had evidently set their minds upon, as he telegraphed me later in the day that he had paid the money and delivered the documents.

The subsequent interviews detailed in Plumb's affidavit are filled up with the same misrepresentation, and the facts distorted to suit his purpose, the same as in the early part of his statement. These interviews are referred to by Mr. Peck in his pamphlet, and are represented to be made from the notes of a stenographer secreted in the room where the conversations are said to have taken place. Whether that is so I cannot tell. It only shows, however, what a conspiracy was laid for me, and only goes to confirm my statement that they offered me the contract, and arranged to connect me with a money offer, so that they could afterwards abuse me publicly, and make capital out of my betrayal.

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